MANAGEMENT ACCOUNTS SUMMARY 2021/22

Committee	2021/22 Final Budget £'000	2021/22 Final Out-turn £'000	Variance £'000
Children & Young People	153,186	153,350	164
Adult Social Care & Public Health	204,946	197,934	(7,012)
Transport & Environment	112,997	110,778	(2,219)
Communities	18,641	17,619	(1,022)
Economic Development & Asset Management	21,506	20,237	(1,269)
Policy	3,161	2,939	(222)
Finance	16,035	16,139	104
Governance & Ethics	7,827	8,165	338
Personnel	18,701	17,441	(1,260)
Net Committee Total	**557,000**	**544,602**	**(12,398)**
Schools Budget (after Dedicated Schools Grant)	1,595	1,595	-
Net Schools total	**1,595**	**1,595**	**-**
Trading Services	969	1,471	502
Central Items Managed through Finance Committee			
Capital Charges included in Committees	(45,360)	(45,360)	-
Statutory Provision for Debt Redemption	11,867	12,117	250
Interest and Dividends	21,323	18,672	(2,651)
Contingency	7,981	-	(7,981)
Flood Defence Levies	294	302	8
Pension Enhancements	2,050	1,304	(746)
Trading Organisations	1,300	612	(688)
Miscellaneous Inc and Exp / Write Offs	-	(1,638)	(1,638)
New Homes Bonus	(1,172)	(1,172)	-
Other Government Grants	(13,706)	(27,508)	(13,802)
Adult Social Care Support Grant	(24,301)	(24,301)	-
Central Items	**(39,724)**	**(66,972)**	**(27,248)**
Expenditure prior to Use of Reserves	**519,840**	**480,696**	**(39,144)**

Reserves and Balances

Transfer to /(from) Corporate Reserves			
PFI Reserves:			
East Leake PFI	4	20	16
Bassetlaw PFI	53	9	(44)
Waste PFI	110	168	58
Workforce Reserve	(1,500)	473	1,973
Highways & Environment Reserve	-	15,000	15,000
Strategic Dev Fund	-	5,501	5,501
Historic Abuse Inquiry	(46)	(1,394)	(1,348)
Capital Projects	-	13,957	13,957
NDR pool projects	(550)	(550)	-
Business Rates Relief Equalisation	-	5,631	5,631
COVID Recovery Reserve	-	(13,614)	(13,614)
Net transfer to /(from) Corporate Reserves	**(1,929)**	**25,201**	**27,130**
Transfer to /(from) Departmental Reserves			
Children & Young People	1,125	1,125	-
Adult Social Care & Public Health	10,241	17,253	7,012
Transport & Environment	(774)	854	1,628
Communities	124	325	201
Economic Development & Asset Management	2,111	2,182	71
Traders Reserves	(421)	(421)	-
Net transfer to /(from) Departmental Reserves	**12,406**	**21,318**	**8,912**
Transfer to/(from) General Fund	**-**	**3,102**	**3,102**
Funding Required	**530,317**	**530,317**	**-**
Funding			
Council Tax/Surplus on Collection	404,653	404,653	-
Revenue Support Grant/Business Rates	125,664	125,664	-
Total Funding	**530,317**	**530,317**	**-**

SUMMARY OF REVENUE RESERVES

	Brought Forward 01/04/2021 £'000	Use (-) in 2021/22 £'000	Contribution (+) 2021/22 £'000	Transfers 2021/22 £'000	Carry Forward 31/03/2022 £'000
General Fund Balances	**32,117**	**-**	**3,102**	**-**	**35,219**
Schools Reserves	**28,528**	**(1,945)**	**3,505**	**-**	**30,087**
Insurance Reserves	**36,679**	**(14)**	**2,708**	**-**	**39,373**
Other Earmarked Reserves					
Corporate Reserves					
Earmarked Reserves	3,204	-	-	-	3,204
Capital Projects Reserve	7,538	(8,095)	14,173	2,154	15,770
NDR Pool Reserve	11,482	(550)	14	(2,154)	8,792
East Leake PFI	2,909	(30)	20	-	2,899
Bassetlaw Schools PFI	876	(2)	864	-	1,738
Waste PFI	24,275	-	168	-	24,443
Strategic Development Fund	12,415	-	5,501	-	17,916
Highways & Environment Reserve	-	-	15,000	-	15,000
Workforce Reserve	6,150	-	473	-	6,623
IICSA Reserve	1,394	(1,394)	-	-	-
Council Tax Equalisation Reserve	2,350	-	-	-	2,350
COVID Recovery Reserve	19,283	(13,614)	-	-	5,669
Business Rates Relief Equalisation Reserve	-	-	5,631	-	5,631
Section 256 Grants	-	-	5,046	-	5,046
Earmarked for Services Reserves					
Trading Activities	625	(421)	-	-	204
Earmarked for Services Reserves	9,409	(864)	4,124	-	12,669
Revenue Grants	16,606	(3,866)	7,775	-	20,515
Section 256 Grants	22,629	(2,899)	13,693	-	33,423
Subtotal Other Earmarked Reserves	**141,145**	**(31,735)**	**72,482**	**-**	**181,892**
Total Usable Revenue Reserves	**238,469**	**(33,694)**	**81,797**	**-**	**286,572**

EARMARKED FOR SERVICES RESERVES DETAIL

	Brought Forward 01/04/2021 £'000	Use (-) in 2021/22 £'000	Contribution (+) 2021/22 £'000	Transfers 2021/22 £'000	Carry Forward 31/03/2022 £'000
Adult Social Care and Public Health					
Trading Activities	-	-	-	-	-
Earmarked for Services Reserves	6,089	-	3,165	-	9,254
Revenue Grants	12,087	(3,267)	6,274	-	15,094
Section 256 Grants	22,629	(2,899)	13,693	-	33,423
Children and Family Services					
Trading Activities	564	(421)	-	-	143
Earmarked for Services Reserves	1,009	(177)	496	-	1,328
Revenue Grants	2,640	(120)	927	-	3,447
Section 256 Grants	-	-	-	-	-
Place and Communities					
Trading Activities	-	-	-	-	-
Earmarked for Services Reserves	2,275	(686)	461	-	2,050
Revenue Grants	1,879	(479)	575	-	1,975
Section 256 Grants	-	-	-	-	-
Chief Executives					
Trading Activities	61	-	-	-	61
Earmarked for Services Reserves	36	-	-	-	36
Revenue Grants	-	-	-	-	-
Section 256 Grants	-	-	-	-	-
Total Earmarked For Services Reserves	**49,269**	**(8,049)**	**25,591**	**-**	**66,811**

ALLOCATIONS FROM CONTINGENCY

	2021/22	
	£000	£000
Opening Contingency Budget		**12,665**
Approved contingency requests		
Social Impact Bond - Savings Slippage	(250)	
Maximising Income - Adults Savings w/o	(130)	
CYP Insurance Recharge	(54)	
Graduate trainees	(77)	
Procurement Subscriptions	(10)	
Transformation and Change restructure	(270)	
Resident Engagement	(50)	
Foster Carer "Thank you"	(100)	
Via -Additional pension contributions	(282)	
Tour of Britain	(100)	
Armed Forces Community Budget	(20)	
D2N2 LEP Contribution	(63)	
Pay Award 21/22	(3,279)	
Total Approved contingency requests		**(4,684)**
Reported under/ (over) spend on contingency		**7,981**

VARIATIONS TO THE CAPITAL PROGRAMME

Appendix D

Committee	Project/ Programme	Value (£000)	Funded by:
Children & Young People's	Bestwood Hawthorne New School	(50)	Capital Allocation
Children & Young People's	Watnall Road New School	50	Capital Allocation
Children & Young People's	Clayfields House	75	Capital Allocation
Transport & Environment	Salix Funded Street Lighting	122	Capital Allocation
Transport & Environment	Street Lighting Renewal	(122)	Capital Allocation

REPORT OF THE SERVICE DIRECTOR – FINANCE, INFRASTRUCTURE & IMPROVEMENT

MONITORING OF 2021/22 PRUDENTIAL INDICATORS

1. To provide an update to the County Council's current position in terms of capital expenditure, external debt, financing costs as a percentage of net revenue stream and the capital financing requirement relative to the Prudential Code indicators identified in the 2021/22 budget report.

Background

2. The Prudential Code for Capital Finance in Local Authorities was developed by CIPFA as a professional code of practice to support local authorities in determining their programmes for capital investment. Local authorities are required by regulation to have regard to the Prudential Code under Part 1 of the Local Government Act 2003. Individual local authorities are responsible for deciding the level of their affordable borrowing, having regard to the Prudential Code. The Executive Summary of the Code states that "The objectives of the Prudential Code are to ensure, within a clear framework, that the capital investment plans of local authorities are affordable, prudent and sustainable, and that treasury management decisions are taken in accordance with good professional practice."

3. In particular, the Prudential Code requires the Council to be aware of the impact of financing capital expenditure on its overall revenue expenditure position. The costs of financing additional capital expenditure are the interest payable to external lenders and the amounts set aside to reduce the level of borrowing. In deciding whether or not borrowing is affordable, prudent and sustainable, the most important consideration is whether, over the term of the borrowing, these costs can be met from the revenue budget without unacceptable consequences.

Prudential Indicators

4. **Monitoring Requirements**

Under the Prudential Code, an authority is required to establish indicators that are sufficiently robust and credible for it to be able to use them to form a judgement as to whether its proposed capital investment is affordable, prudent and sustainable. The Prudential Code requires that the prudential indicators are monitored regularly throughout the year and that the actual values of some of them are reported at year end.

This report is concerned only with prudential indicators relating to capital investment.

5. **Overview of Prudential Indicators**

The following prudential indicators, whose actual values must be reported at year end, relate to affordability and prudence.

6. **Estimate of capital expenditure**
In any year, the level of capital expenditure is likely to deviate from the estimate in the budget report as a result of new additions to the Capital Programme, cancellations of schemes, and slippage, acceleration and changing specifications of projects. The Capital Programme is monitored on a monthly basis and variations to the Capital Programme are reported to Finance Committee.

7. **Estimate of the capital financing requirement (CFR)**
The capital financing requirement is a measure of the Authority's underlying need to borrow for capital purposes. This relates to capital expenditure which has not yet been financed by capital receipts, capital grants or contributions from revenue income. This is not the same as external debt since the Authority manages its position in terms of borrowings and investments in accordance with its integrated treasury management strategy and practices. For example, rather than borrowing from an external body, the Authority may judge it prudent to make use of cash that it has already invested for long-term purposes, such as reserves, for 'internal borrowing'. This means that there is no immediate link between the need to borrow to pay for capital spending and the level of external borrowing.

In order to ensure that, over the medium term, net borrowing will only be for a capital purpose, the local authority should ensure that net debt does not, except in the short term, exceed the total of the capital financing requirement for the current and next two financial years. This is a key indicator of prudence.

8. **External debt**
External debt includes gross borrowing and other long-term liabilities.

9. **Operational boundary for external debt**
The operational boundary is the estimated maximum level of external debt in the most likely (i.e. prudent, but not worst-case) scenario. The operational boundary is a key management tool for in-year monitoring. It will probably not be significant if the external debt temporarily breaches the operational boundary on occasions due to variations in cash flow. However, a sustained or regular trend above the operational boundary would be significant and would require investigation and possible action (e.g. to ensure that borrowing, other than temporary borrowing, is not undertaken for purposes other than funding approved capital expenditure).

10. **Authorised limit for external debt**
The authorised limit is the intended absolute limit for external debt and exceeds the operational boundary by an amount that provides sufficient headroom for events such as unusual cash movements. If it appears that the authorised limit might be breached, the Service Director – Finance, Infrastructure and Improvement has a duty to report this to the County Council for appropriate action to be taken.

11. Financing costs as a percentage of net revenue stream

The Prudential Code requires the Council to be aware of the impact of financing capital expenditure on its overall revenue expenditure position. The relevant indicator is the financing costs of capital expenditure expressed as a percentage of the net revenue stream, where:

- the costs of financing capital expenditure are interest payable to external lenders less interest earned on investments plus amounts set aside to reduce the level of borrowing; and
- the net revenue stream is the amount of the revenue budget to be met from government grants and local taxpayers.

12. Prudential Indicators: Monitoring against 2021/22 Budget

The following table shows monitoring against those indicators that were approved for 2021/22 in the Budget Report to Council in February 2020.

<table>
<tr><th>Indicator</th><th>Comments</th></tr>
<tr><td>Estimated capital expenditure
(excluding Schools Devolved Formula Capital and schools' capital expenditure funded from their own revenue budget)

2021/22 Budget: £108.523m
2021/22 Actual: £95.977m</td><td>Capital programme is £12.546m less than anticipated, as explained in the table:

<table>
<tr><th>Reason</th><th>£m</th></tr>
<tr><td>Slippage from 2020/21 to 2021/22</td><td>20.345</td></tr>
<tr><td>Re-phasing/slippage approved in-year</td><td>(7.799)</td></tr>
<tr><td>TOTAL</td><td>12.546</td></tr>
</table></td></tr>
<tr><td>Estimated capital financing requirement
(taking into account PFI Finance Lease Liabilities)

2021/22 Budget: £870m

2021/22 Actual: £801m</td><td>The actual level of the capital financing requirement was £69m less than the indicator, as explained in the table:

<table>
<tr><th>Reason</th><th>£m</th></tr>
<tr><td>Borrowing below budgeted level in 2020/21 (primarily due to slippage of expenditure funded by borrowing)</td><td>(13)</td></tr>
<tr><td>Variance in additions and repayment of Finance Lease Liabilities and MRP estimate</td><td>(6)</td></tr>
<tr><td>Variance in capital receipt income</td><td>4</td></tr>
<tr><td>Borrowing below budgeted level in 2021/22 (primarily due to slippage of capital expenditure funded by borrowing and maximisation of capital grant usage)</td><td>(54)</td></tr>
<tr><td>TOTAL</td><td>(69)</td></tr>
</table></td></tr>
</table>

Indicator	Comments
External debt (incl. PFI Finance Lease Liabilities) Authorised limit for borrowing: £612m Authorised limit for other long-term liabilities: £108m Authorised limit for external debt: £720m Operational boundary for borrowing: £587m Operational boundary for other long-term liabilities: £108m Operational boundary for external debt: £695m Actual borrowing: £505m Actual other long-term liabilities: £103m Total actual debt at 31/03/22: £608m	The actual level of external debt was below both the authorised limit of £720m and the operational boundary of £695m throughout 2021/22.
Financing costs as a percentage of net revenue stream (incl. impact of PFI Finance Lease Liabilities) 2021/22 Budget: 9.5% 2021/22 Actual: 8.5%	The total of actual financing costs as a percentage of net revenue stream was slightly below the budgeted figure as a result of lower than expected interest charges.

13. Summary

The Prudential Code indicators will continue to be monitored and reported against budgeted figures.

REPORT OF THE SERVICE DIRECTOR – FINANCE, INFRASTRUCTURE AND IMPROVEMENT

TREASURY MANAGEMENT OUTTURN REPORT 2021/22

1. Purpose

To provide a review of the Council's treasury management activities for the year to 31 March 2022.

Information and Advice

2. Background

2.1 Treasury management is defined as 'the management of the council's investments and cashflows; its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks'.

2.2 The Council's Treasury Management Strategy is approved annually by Full Council and there is also a mid-year report which goes to Full Council. Responsibility for the implementation, scrutiny and monitoring of treasury management policies and practices is delegated to the *Treasury Management Group*, comprising:

- the Service Director (Finance, Infrastructure & Improvement)
- the Group Manager (Financial Services)
- the Senior Accountant (Pensions & Treasury Management)
- the Senior Accountant (Financial Strategy & Accounting)
- the Investments Officer.

2.3 During 2021/22, borrowing and investment activities were in accordance with the approved limits as set out in the Council's Treasury Management Policy and Strategy. The main points from this report are:

- All treasury management activities were carried out by authorised officers within the limits agreed by the Council.
- All investments were made to counterparties on the Council's approved lending list.
- Reports have been submitted to Council and the Finance & Major Contracts Management Committee as required.
- The Council's net external borrowing decreased by £10.8m during the financial year.
- Over the course of the year the Council earned 0.08% on its cash investments, exceeding the adjusted average Sterling Overnight Index Average (SONIA) rate for 2021/22 which was 0.02%

3. Outturn Treasury Position

3.1 The Council's treasury management strategy and associated policies and practices for 2021/22 were approved in February 2021 by Full Council. The

Service Director (Finance, Infrastructure & Improvement) complied with the strategy throughout the financial year.

3.2 Table 1 below shows the Council's treasury portfolio position on 31 March 2022. It can be seen from the approximately 3.5% differential between borrowing and lending rates that it remains in the Council's financial interests to keep its actual borrowing to finance capital expenditure as low as is practicable: in other words, by making use of 'internal borrowing' wherever possible. This also ensures the Council maintains lower cash balances, which also minimises credit risk.

Table 1. Treasury Position as at 31 March 2022		**£m**	**£m**	**Average Interest Rate**
EXTERNAL BORROWING				
Long-term				
Fixed Rate	PWLB	404.4		3.94%
	LOBOs	60.0		3.85%
	Other	30.0	494.4	3.80%
Short-term				
Fixed Rate	Other	-	-	
Total			**494.4**	
Other Long-Term Liabilities			**103.0**	
Total Gross Debt			**597.4**	
Less: Investments			(174.8)	0.40%
Total Net Debt			**422.6**	

Notes: PWLB = Public Works Loans Board
LOBOs = Lenders' Option, Borrowers' Option loans
Other = market loans taken directly from banks or via brokers

4. Treasury Management Activities 2021/22

4.1 The Council manages its cash flows through borrowing and lending activities on the wholesale money markets. The Council has an approved list of counterparties for investment and aims to achieve the optimum return on investments commensurate with the proper levels of security and liquidity.

4.2 The change in the Council's temporary cash balances over the financial year is summarised in Table 2 below.

Table 2 Temporary cash balances	**£m**
Outstanding 31 March 2021	99.2
Amount lent during 2021/22	835.9
Amount repaid during 2021/22	(760.3)
Outstanding 31 March 2022	174.8

4.3 The Council's average cash investment level over 2021/22 was £159.0m (compared with £84.5m in 2020/21). The return achieved on this balance over the course of the year was 0.08% against the 7-day SONIA, the new standard benchmark, which was 0.02%. Investment rates available in the market remain low but did increase towards the end of the year.

4.4 Members should note that the Sterling Overnight Index Average (SONIA) replaced the previous London Interbank Offered Rate (LIBOR) and London Interbank Bid Rate (LIBID) as short-term interest rate benchmarks in December 2021. Unlike LIBOR and LIBID, which were based on theoretical borrowing costs, SONIA is based on actual market transaction data, and is thus perceived to be at lower risk of manipulation by market players.

4.5 It should also be noted that the Council has for the present retained the adjustment factor of '-0.125%' (universally applied in the derivation of LIBID from LIBOR) and has applied this to SONIA to derive its own returns benchmark, as being the closest match to LIBID. The retention or amendment of this adjustment will be considered at the next Treasury Management Group meeting.

4.6 Table 3 shows the returns achieved by type of deposit.

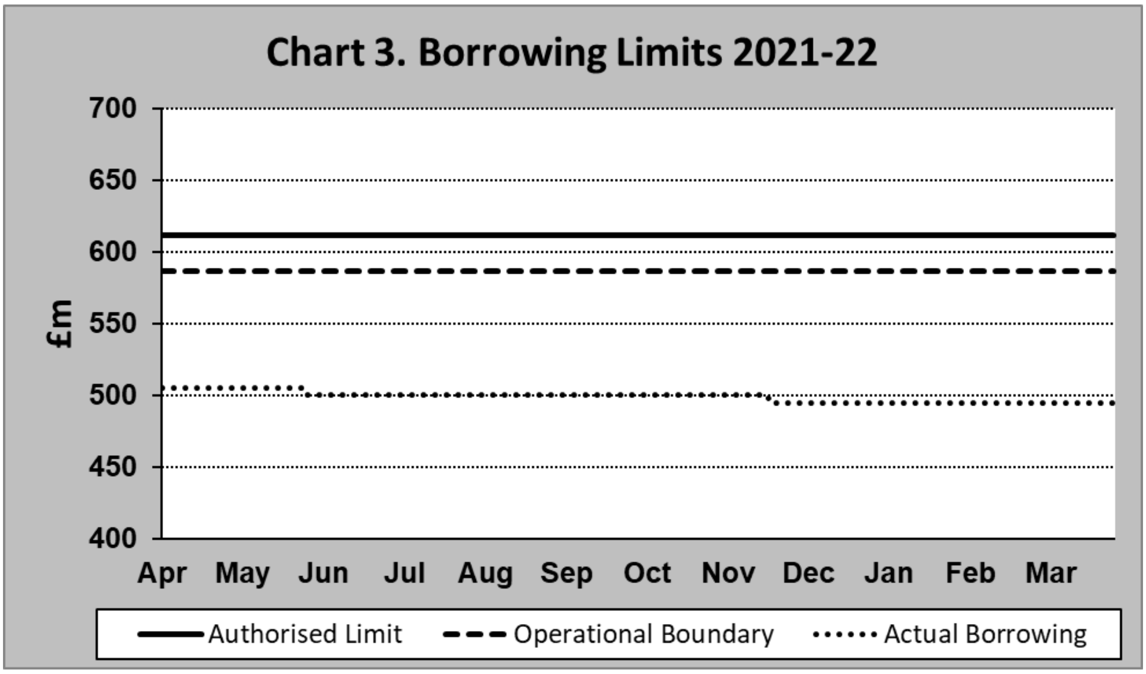
Table 3 Returns on Investments	**Average Balance**	**Interest Earned**	**Average Return**
	£m	**£000**	**%**
Fixed Term Investments	59.6	51.4	0.09
Call Accounts / Money Market Funds	99.4	69.3	0.07
Total	159.0	120.7	0.08

5. Long Term Borrowing

5.1 The Treasury Management Strategy for 2021/22 presented to Council in February 2021 outlined the Council's long-term borrowing strategy for the year. Long-term borrowing is sourced from either the market (including other local authorities) or from the PWLB.

5.2 The Treasury Management Strategy for 2021/22 identified a need to borrow approximately £70m over the course of the year to (a) fund the capital programme, (b) replenish internal balances and to (c) replace maturing debt. However, due to slippage and higher than expected cash balances, no new long-term loans needed to be taken. In other words, the Council was able to use its cash balances to temporarily postpone its entire £70m borrowing requirement.

5.3 Total external borrowing stood at £494.4m on the 31 March 2022 which is within the operational boundary of £587m agreed by the Council. The chart below shows that the level of external debt throughout the year was below the key treasury indicators of the authorised limit and the operational boundary, demonstrating that borrowing was well within plan during the year. Further details on these treasury prudential indicators are provided in Appendix D.



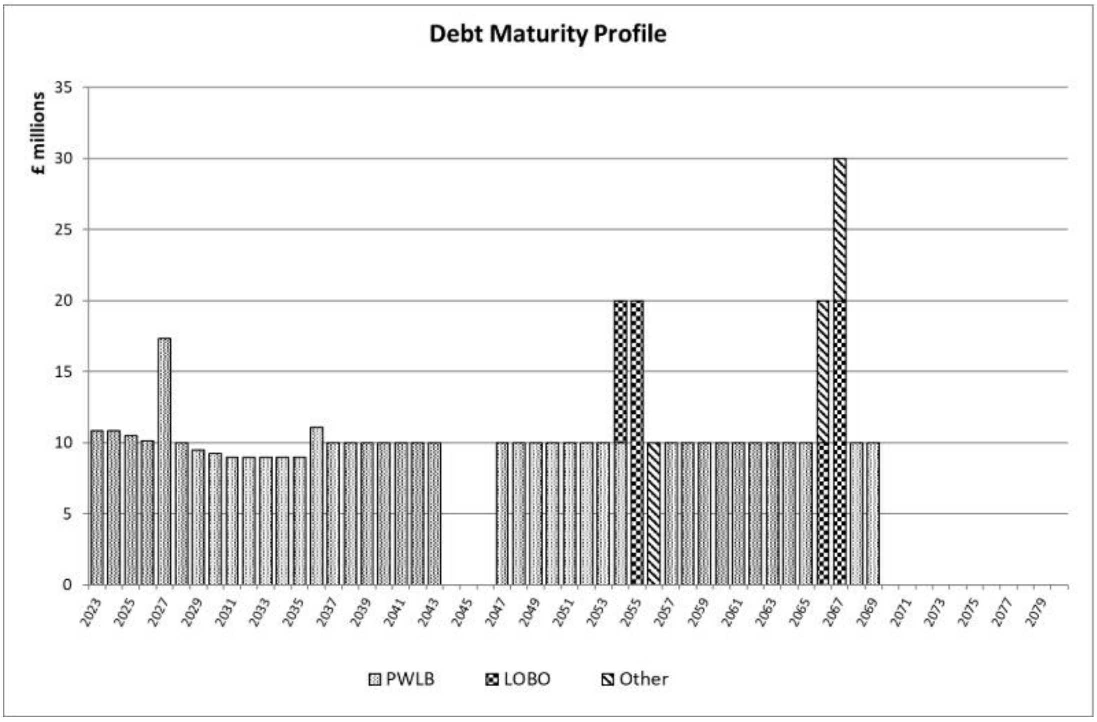
5.4 Table 4 shows the movement in long-term borrowing during 2021/22.

Table 4 Lender	B/fwd 01/04/21 £m	Advances 2021/22 £m	Normal Repayments 2021/22 £m	Premature Repayments 2021/22 £m	C/fwd 31/03/22 £m
PWLB	415.2	-	(10.8)	-	404.4
LOBO	60.0	-	-	-	60.0
Market	30.0	-	-	-	30.0
Total	505.2	-	(10.8)	-	494.4

5.5 LOBOs are loans whereby the lender can opt, at specified dates, to increase the interest rate payable and the borrower can either accept the increased rate or repay the loan in full. These options constitute a greater degree of interest rate risk for the Council. The market loans in the table above are ex-LOBOs that have been converted to straightforward maturity loans.

5.6 The movement in PWLB standard maturity rates during 2021/22 is shown in the chart below. This shows that rates slightly increased over the course of the second half of the year, as various lockdown restrictions were lifted and economic growth - bringing with it inflationary pressures - could begin again.

5.7 The chart below shows the debt maturity profile at 31 March 2022. This is spread fairly evenly until 2044, thereby minimising refinancing risk. In this chart it is assumed that the remaining LOBO loans will run to maturity, and not be called at an earlier date. The average rate on all outstanding external debt at year-end was 3.92% (compared to 3.97% in 2020/21, and 4.09% in 2019/20), reflecting both the lower rates now available to the Council and the higher rates of the Council's maturing debt.



5.8 The Council has always had the option of rescheduling its existing PWLB debt should market conditions indicate opportunities for savings. This would be achieved by redeeming fixed rate debt and raising new debt at a lower rate of interest. However, for a number of years now the PWLB has charged a prohibitive premium on early redemptions. No financially attractive opportunities for debt rescheduling therefore arose over the reporting period.

6. Prudential Indicators for Treasury Management

6.1 Table 6 below shows how the treasury management outturn position compares with the prudential indicators for the year. The objective of these indicators is to manage treasury management risks effectively. No indicators were breached during the year.

Table 6 **TREASURY MANAGEMENT INDICATORS 2021/22**	**Approved limits**	**Outturn**
Authorised Limit for external debt	£612m	£494.4m
Operational Boundary for external debt	£587m	£494.4m
Upper limit for Rate Exposure – Fixed **Upper limit for Rate Exposure - Variable**	100% 75%	100% 0%
Upper limit for principal sums invested for over 364 days	Higher of £20m and 15%	£0m

6.2 Table 7 shows how the Council's debt portfolio is managed with regard to maturity structure. The aim here is to ensure that the risk of the Council having to replace maturing debt in any one year is minimised, as part of an overall Treasury Management risk strategy.

Table 7 **Maturity structure of fixed rate borrowing**	**Approved Lower limit**	**Approved Upper limit**	**Outturn**
under 12 months	0%	25%	3.5%
12 months and within 24 months	0%	25%	2.2%
24 months and within 5 years	0%	75%	7.6%
5 years and within 10 years	0%	100%	9.3%
10 years and above	0%	100%	77.4%
Adoption of CIPFA's Treasury Management in the Public Services Code of Practice and Cross Sectoral Guidance Notes			Adopted